

27 SEP. 2013

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KAMER VAN KOOPHANDEL EN FABRIEKEN
VOOR AMSTERDAM: GEDEPONEERD

13 DOSSIERNR.

BOEKJAAR: 2012

E.B.

OMVANG:

SOORT:

AVA: 2012-2013

(22 COLN)

GOOGLE NETHERLANDS HOLDINGS B.V.

ANNUAL REPORT 2012

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MANAGEMENT REPORT

The Directors present their annual report and the audited financial statements of Google Netherlands Holdings B.V. ("the Company") for the year ended 31 December 2012.

Principal business activity

The Company's activities are to finance and participate in affiliated companies. The Company is a wholly owned subsidiary of Google Ireland Holdings.

Results for the year as at 31 December 2012

The profit and loss statement and balance sheet for the year ended 31 December 2012 are provided in the financial statements. The net turnover increased from €9,909,699 in 2011 to €10,436,265 in 2012, an increase of €526,566. In the period under review, operating expenses increased from €29,102 in 2011 to €32,750 in 2012, an increase of €3,648.

There was no dividend paid during the year (2011: €0).

Future developments

There are no future changes anticipated in the business of the Company at this time.

Number of employees

There were no employees during 2012 or 2011.

Principal risks and uncertainties facing the Company

The Company operates in a market which is characterised by continuous change. As a result the Company faces risks and uncertainties which may have a significant impact on the ability to achieve continued success with this market. These risks and uncertainties may be summarised as follows:

- Competition from other internet companies, including web search providers, internet access providers, internet advertising companies and destination websites that may also bundle their services with internet access.
- Competition from traditional media companies may not be included in the advertising budgets of large advertisers, which could harm its operating results.
- If the group does not continue to innovate and provide products and services that are useful to users, it may not remain competitive, and revenues and operating results could suffer.
- Revenue for the group is generated almost entirely from advertising, and the reduction in spending by, or loss, of advertisers could seriously harm the Company.
- There is a reliance on Google Network members for a significant portion of revenues, and benefit from association with them. The loss of these members could adversely affect the Company.
- New technologies could block ads, which would harm the Company.
- The Company depends on a strong brand, and if the Company is unable to maintain and enhance the brand, the ability to expand the base of users, advertisers and Google Network members will be impaired and the Company and operating results will be harmed.

MANAGEMENT REPORT

New corporate governance and supervision act

The Act on Management and Supervision became effective in the Netherlands during 2012. The Company did not have the opportunity to apply the provisions on gender diversity as included in the Act on Management and Supervision during 2012. Google Netherlands B.V. supports the diversity principle of the new law and has taken into account these new requirements when making new appointments to the Board.

The Company revised the Managing Directors on 28 June 2013 and per the date of the revision, the Company is compliant with the regulation.

Post balance sheet events

No significant events have occurred since the balance sheet date which would materially affect the financial position of the Company as disclosed in the financial statements.

Directors

The Company revised the Managing Directors since the balance sheet date. Willem Jacob Baron van der Feltz, resigned on the 28 June 2013. Milica Marijana Elizabeth Antic was appointed to the Board on 28 June 2013.

Going concern

The Directors are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the "going concern" basis in preparing the financial statements.

On behalf of the board

Director:


De handtekening

G. Law

Director:

is door de KvK
onleesbaar gemaakt.

M.M.E. Antic

Amsterdam, 19 September 2013

BALANCE SHEET
as at 31 December 2012

| | Notes | 2012 € | 2011 € |
|---|-------|--------------------|--------------------|
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | | 49,637,165 | 48,569,278 |
| Accounts receivable | 3 | 713,374,967 | 309,115,434 |
| | | <u>763,012,132</u> | <u>357,684,712</u> |
| TOTAL ASSETS | | <u>763,012,132</u> | <u>357,684,712</u> |
| EQUITY AND LIABILITIES | | | |
| EQUITY | | | |
| Issued capital | 4 | 18,000 | 18,000 |
| Share premium | 5 | 2,000,000 | 2,000,000 |
| Retained earnings | 6 | 42,054,928 | 34,199,154 |
| TOTAL EQUITY | | <u>44,072,928</u> | <u>36,217,154</u> |
| LIABILITIES | | | |
| Current liabilities | | | |
| Accounts payable | 7 | 718,915,043 | 321,441,753 |
| Accrued expenses and other liabilities, current | | 24,161 | 25,805 |
| | | <u>718,939,204</u> | <u>321,467,558</u> |
| TOTAL LIABILITIES | | <u>718,939,204</u> | <u>321,467,558</u> |
| TOTAL EQUITY AND LIABILITIES | | <u>763,012,132</u> | <u>357,684,712</u> |

On behalf of the board

Director:

G. Law

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onleesbaar gemaakt.

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Amsterdam, 19 September 2013

PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2012

| | Notes | 2012 € | 2011 € |
|----------------------------|-------|--------------------|--------------------|
| Net turnover | 8 | 10,436,265 | 9,909,699 |
| Operating expense | 9 | <u>(32,750)</u> | <u>(29,102)</u> |
| Operating profit | | 10,403,515 | 9,880,597 |
| Non operating income | 10 | <u>746,294</u> | <u>536,532</u> |
| Profit before tax | | 11,149,809 | 10,417,129 |
| Provision for income taxes | 11 | <u>(3,294,035)</u> | <u>(2,714,251)</u> |
| Profit for the year | | <u>7,855,774</u> | <u>7,702,878</u> |

On behalf of the board

Director:

**De handtekening
is door de KvK
onleesbaar gemaakt.**

G.Law

Amsterdam, 19 September 2013

Director:

De handtekening

M.M.E Antic

**is door de KvK
onleesbaar gemaakt.**

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2012

1. Corporate information

Google Netherlands Holdings B.V. ("Company") is a wholly owned subsidiary of Google Ireland Holdings. The registered office of the Company is Claude Debussylaan 34 15th floor, 1082 MD, Amsterdam.

2. Accounting policies

The financial statements have been prepared in accordance with the statutory provisions of Part 9, Book 2, of the Netherlands Civil Code and the firm pronouncements in the Guidelines for Financial Reporting in the Netherlands as issued by the Dutch Accounting Standards Board.

In general, assets and liabilities are stated at the amounts at which they were acquired or incurred, or fair value. If not specifically stated otherwise, they are recognised at the amounts at which they were acquired or incurred.

Costs are recognised based on the historical cost convention and are allocated to the reporting year to which they relate.

Exemptions availed:

The Company is a wholly owned subsidiary of Google Inc. and is included in the consolidated financial statements of Google Inc., which are publicly available. Consequently, the Company has taken advantage of the following exemptions:

Cash flow statement

The Company has taken advantage of the exemption from preparing a cash flow statement in conformity with RJ 360.104 (guidelines for Financial Reporting in the Netherlands).

(a) Foreign currencies

Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The financial statements are presented in euro (EUR), which is the Company's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

(b) Taxation

Income tax expense is the aggregate of the charge to the profit and loss account in respect of current income tax and deferred income tax.

Current income tax is the amount of income tax payable on the taxable profit for the year determined in accordance with the Dutch Tax Acts.

(c) Cash and cash equivalents

Cash and cash equivalents include cash in hand, bank balances and deposits held at call with maturities of less than 12 months. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2012

(d) Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, accounts receivable and accounts payable. The Company operates in an international environment and is exposed to credit risk, foreign currency risk and interest rate risk.

(e) Revenue Recognition

Net turnover represents the amounts charged as royalty income to group companies minus the royalties paid to group companies according to the royalty agreements.

2. Significant accounting judgements, estimates and assumptions

Management is required to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both.

3. Accounts receivable

| | 2012 € | 2011 € |
|---|--------------------|--------------------|
| Receivable from Google Ireland Ltd. | 544,028,700 | 258,676,377 |
| Receivable from Google Asia Pacific Pte. Ltd. | 167,372,257 | 47,208,429 |
| Income tax receivable | 1,974,010 | 3,230,628 |
| | <u>713,374,967</u> | <u>309,115,434</u> |

4. Issued capital

The issued share capital amounts to €18,000 as at 31 December 2012 (2011: €18,000).

Total authorised share capital of Google Netherlands Holdings B.V. amounts to €90,000 and consists of 900 shares of €100 each, of which 180 shares have been issued and fully paid.

During the financial year the issued and fully paid-up share capital was not subject to any changes.

5. Share premium

The share premium amounts to €2,000,000 as at 31 December 2012, and has not changed since December 2011.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2012

6. Retained earnings

| | 2012 € | 2011 € |
|------------------------|-------------------|-------------------|
| Balance at 1 January | 34,199,154 | 26,496,276 |
| Result after taxation | <u>7,855,774</u> | <u>7,702,878</u> |
| Balance at 31 December | <u>42,054,928</u> | <u>34,199,154</u> |

7. Payables to group companies

| | 2012 € | 2011 € |
|------------------------------------|--------------------|--------------------|
| Payable to Google Ireland Holdings | <u>718,915,043</u> | <u>321,441,753</u> |
| | <u>718,915,043</u> | <u>321,441,753</u> |

8. Net turnover

| | 2012 € | 2011 € |
|--|------------------------|------------------------|
| Royalty income from group companies | 8,787,551,451 | 7,032,325,744 |
| Royalty expense to Google Ireland Holdings | <u>(8,777,115,186)</u> | <u>(7,022,416,045)</u> |
| | <u>10,436,265</u> | <u>9,909,699</u> |

The Company received royalty income in the amount of €8,554,705,843 (2011: €6,983,427,795) from Google Ireland Limited and €232,845,608 (2011: €48,897,949) from Google Asia Pacific Pte. Limited.

9. Operating expenses

| | 2012 € | 2011 € |
|-------------------------|---------------|---------------|
| Professional services | 24,157 | 25,802 |
| Other operating expense | <u>8,593</u> | <u>3,300</u> |
| | <u>32,750</u> | <u>29,102</u> |

Included in professional services expense is an amount of €10,002 (2011: €10,000) paid to the Company's statutory auditors, Ernst & Young Accountants LLP, in respect of the audit of the financial statements. There were no other fees paid in respect of tax services, assurance or non-audit services provided.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2012

10. Non operating income

| | 2012 € | 2011 € |
|-----------------------|----------------|----------------|
| Foreign exchange gain | 614,972 | 262,970 |
| Interest income | <u>131,322</u> | <u>273,563</u> |
| | <u>746,294</u> | <u>536,532</u> |

11. Taxation

| | 2012 € | 2011 € |
|----------------------|------------------|------------------|
| Corporate income tax | <u>3,294,035</u> | <u>2,714,251</u> |

The total corporate income tax of €3,294,035 can be calculated as follows:

| | 2012 € | 2011 € |
|---------------------------------|-------------------|-------------------|
| Profit before taxation | 11,149,809 | 10,417,129 |
| Expenses not deductible for tax | <u>0</u> | <u>3,300</u> |
| Taxable amount | <u>11,149,809</u> | <u>10,420,429</u> |

Corporate Income tax charge

| | | |
|---|------------------|------------------|
| 20.0% on €200,000 | 40,000 | 40,000 |
| 25.0% on €10,949,809 (2011: 25.0% on €10,220,129) | <u>2,737,452</u> | <u>2,555,107</u> |
| Corporate income tax prior years | <u>516,583</u> | <u>119,144</u> |
| | <u>3,294,035</u> | <u>2,714,251</u> |

The effective tax rate for the year 2012 is 29.6% (2011:26.1%). The difference of 4.6% between the effective tax rate and the Dutch statutory tax rate can be explained by the corporate income tax adjustment of prior years. The Dutch statutory tax rate is 20% on the taxable amount up to EUR 200,000 and exceeding that amount 25% (2011: 25%).

12. Related party transactions

Royalty agreements

Agreements were made and entered into as of 1 January 2004 between Google Netherlands Holdings B.V. and Google Ireland Holdings and Google Ireland Limited for the royalties between the companies. Another royalty agreement was entered into as of 30 June 2009 with Google Asia Pacific Pte. Limited.

13. Directors' remuneration

Directors' remuneration for the year was € nil (2011: € nil) and has been borne by another group company.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2012

14. Contingencies

There are no contingencies as at the balance sheet date.

15. Approval of financial statements

The financial statements were approved and authorised for issue by the Directors on 19 September 2013.

OTHER INFORMATION

for the year ended 31 December 2012

Provision in the articles of association governing the appropriation of profits

The articles of association stipulate that the dividend on preference shares will be paid first. The Annual General Meeting of Shareholders shall determine how much of the remaining profit will be added to the reserves.

Appropriation of result

In anticipation of the Annual General Meeting's adoption of the financial statements, the net profit of €7,855,774 has been added to the other reserves.

Independent auditor's report

The independent auditor's report has been included on the following pages of these financial statements.

Google Netherlands Holdings B.V.

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF
GOOGLE NETHERLANDS HOLDINGS B.V.
for the year ended 31 December 2012

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